

CITY OF WELLMAN, IOWA

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
JULY 1, 2015 THROUGH JUNE 30, 2016

CITY OF WELLMAN, IOWA  
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CITY OF WELLMAN, IOWA  
OFFICIALS  
June 30, 2016

(Before January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan Miller	Mayor	January, 2018
Jared Schneider	Council Member	January, 2018
Steve Slaubaugh (Resigned March, 2015)	Council Member	
John Schwartz	Council Member	January, 2016
Bob Goodrich	Council Member	January, 2016
Fern Bontrager	Council Member	January, 2018
Bob Freeman (Appointed March, 2015)	Council Member	January, 2016
Nick Pacha	City Administrator	Indefinite
Kelly Litwiller	City Clerk	Indefinite
Daniel Kitchen	City Attorney	Indefinite

(After January, 2016)

Ryan Miller	Mayor	January, 2018
Jared Schneider	Council Member	January, 2018
Terry Owens	Council Member	January, 2020
Bob Goodrich	Council Member	January, 2020
Fern Bontrager	Council Member	January, 2018
Bob Freeman	Council Member	January, 2020
Kelly Litwiller	City Administrator	Indefinite
Beth VanWinkle	City Clerk	Indefinite
Patrick O'Connell	City Attorney	Indefinite

# Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor  
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Wellman for the period July 1, 2015 through June 30, 2016. The City of Wellman's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor  
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Wellman, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor  
and Members of City Council

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wellman, Iowa and other parties to whom the City of Wellman may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Gmewoll, Ben, Kyhan & L.P.C.

Atlantic, Iowa  
January 5, 2017

## DETAILED RECOMMENDATIONS

## CITY OF WELLMAN, IOWA

### Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Payment of General Obligation Bonds - Principal and interest on the City's general obligation water bonds were paid from the Enterprise, Water Fund. Principal and interest on the City's general obligation refunding bonds were paid from the Special Revenue, Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. The City should transfer from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund for future funding requirements. Payments on the bonds should be made from the Debt Service Fund as required.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.



CITY OF WELLMAN, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (D) Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (E) Business Transactions - Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Schwartz, Council Member, owner of Schwartz Construction	Door repair	\$ 1,380

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transaction with the City Council Member does not appear to represent a conflict of interest since the transaction was less than \$2,500 during the fiscal year.

- (F) Bank Reconciliations - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no documentation of the independent review of the bank reconciliations was evident.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (G) Management Financial Information - The Clerk's financial reports to the City Council included cash and investment balances and year-to-date receipts and disbursements, but did not include comparisons to the certified budget by function.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function.

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